

Taxes and coins through the ages

Gerald Tebben
March 21, 2018

Taxman



George Harrison visits Gerald Ford at the White House in 1974.

If you try to sit, I'll tax your seat
If you get too cold, I'll tax the heat
If you take a walk, I'll tax your feet
Taxman!

Cos I'm the taxman, yeah I'm the taxman



George Harrison's 1966 song was a rock 'n' roll protest against England's confiscatory 95 percent tax rate on high-income individuals, especially musicians. With April 15 fast approaching the song is the theme of the season.

Everything the late Beatle mentioned in his song 62 years ago is subject to taxation in the United States today. Sales and use taxes are levied on cars, roads, chairs, fuel and shoes. Politicians leave few stones unturned.

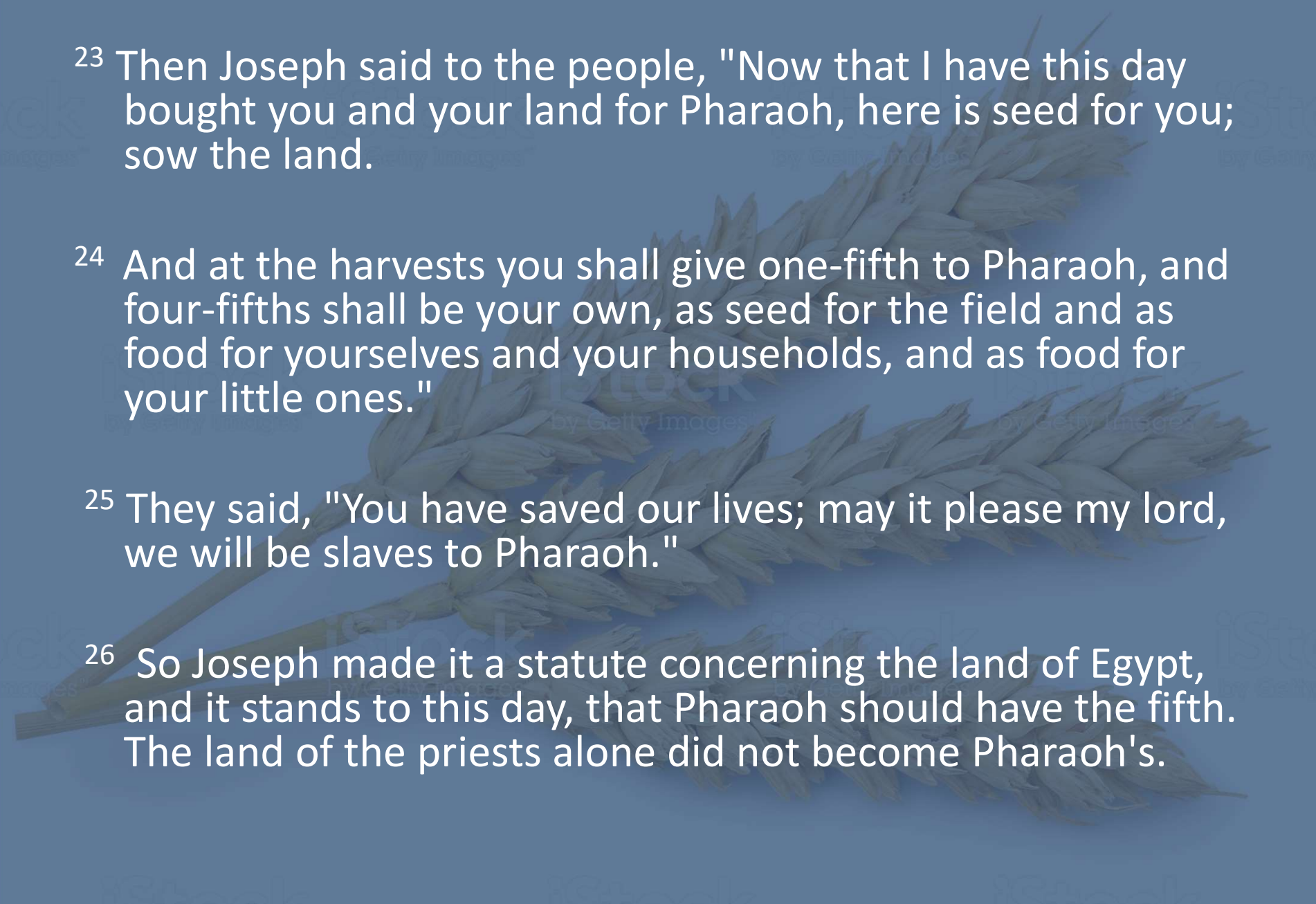
In the beginning ...

Taxation dates back almost to the beginning of time.

In the Bible, taxation shows up 47 chapters into Genesis when Joseph of the coat of many colors imposes a tax of 20 percent of the harvest.

At the time the tax was levied, about 1750 BC, coins were some 1,000 years in the future.





²³ Then Joseph said to the people, "Now that I have this day bought you and your land for Pharaoh, here is seed for you; sow the land.

²⁴ And at the harvests you shall give one-fifth to Pharaoh, and four-fifths shall be your own, as seed for the field and as food for yourselves and your households, and as food for your little ones."

²⁵ They said, "You have saved our lives; may it please my lord, we will be slaves to Pharaoh."

²⁶ So Joseph made it a statute concerning the land of Egypt, and it stands to this day, that Pharaoh should have the fifth. The land of the priests alone did not become Pharaoh's.

The King's Fifth



Potosi's mountain of silver

Fast forward 3,250 years and the king wanted his 20 percent again – this time it was the Spanish king, not the pharaoh, and the fifth he wanted was 20 percent of the silver mined in the new world.

A dozen years after Columbus' first voyage, in 1504, Spain established the quinto del rey or king's fifth.

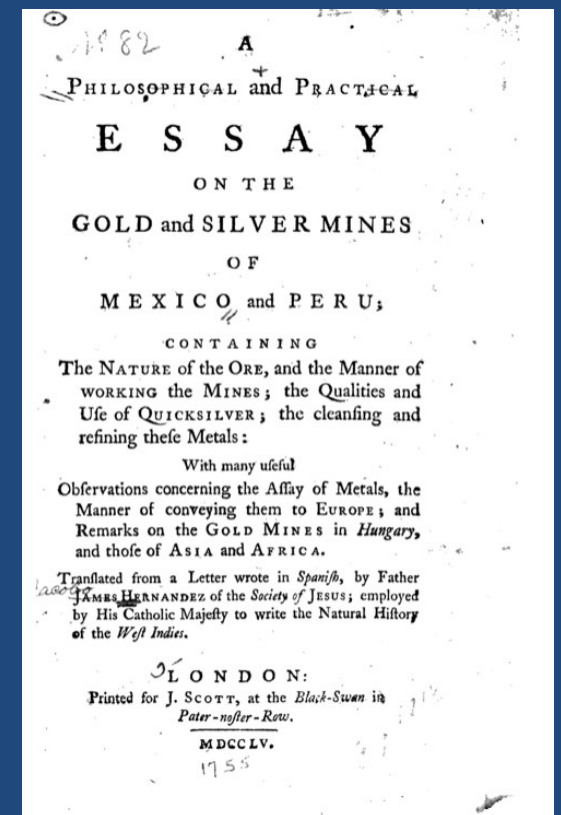
In 1723, the tax was reduced to 10 percent.

The king's fifth was the source of Spain's wealth for centuries.

A philosophical and Practical Essay on the Gold and Silver Mines of Mexico and Peru, translated in 1755 by Jesuit priest James Hernandez, contained an account of the wealth of Potosi about 1560.

Yet, as rich as it (a fabled mine in Spain) was, I do not think it comes up to what has been seen in our Days in Potosi; for, as appears by the King's Books of the Custom-house of that Place, and is asserted by Men of Reputation, at the Time when the licentiate Polo was Governor there, which was many Years after the Discovery of the Mines, every Saturday there were brought to pay the King's Fifth between 150,000 and 200,000 Pieces of Eight, and the Fifth amounted to 30,000 or 40,000 Pieces of Eight; so that, according to this Computation, there were daily taken out of these Mines 30,000 Pieces of Eight, and the King's Fifth was worth 6,000.

That silver, tax and private, was loaded onto the annual plate fleets. The salvaged cargo of shipwrecked galleons from those fleets delight today's collectors.





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Imaged by Heritage Auctions, HA.com

A royal coin

Most cobs were about as round as a flat tire. The planchets were cut from the ends of rolls of silver and were only approximately round. A few coins, for reasons unknown, were struck on actually round planchets. It is posited by some that they were struck as presentation pieces. This 1652 “royal” Potosi 8-reales sold for \$42,300 last year.

The Temple Tax



The Tyre shekel (14 grams) and its half brother (7 gram half shekel) were the most important coins in ancient Judea, primarily because they were used to pay the Temple tax. This shekel is especially prized because it was issued in AD 33/4, by some accounts the year of the Crucifixion, and possibly in Jerusalem.



The second temple (Solomon's Temple was destroyed by the Babylonians in 587 BC) stood on the highest hill in Jerusalem from 516 BC to 70 AD, when it was destroyed by the Romans. Jewish men paid a half-shekel Temple tax each year. In later years, only the coins of Tyre were acceptable.

Who's on the coin?



The half shekel, above, looked exactly like the shekel, only smaller. The coins show the god Melkart or Hercules on the obverse. The reverse shows an eagle standing on a ship with a branch over his shoulder and the legend ΤΥΡΟΥ ΙΕΡΑΣ ΚΑΙ ΑΣΥΛΟΥ, that is "of Tyre the holy and inviolable."

Exodus 30:11-16



¹¹ The LORD also said to Moses,

¹² "When you take a census of the Israelites who are to be registered, each one, as he is enrolled, shall give the LORD a forfeit for his life, so that no plague may come upon them for being registered.

¹³ Everyone who enters the registered group must pay a half-shekel, according to the standard of the sanctuary shekel, twenty gerahs to the shekel. This payment of a half-shekel is a contribution to the LORD.

¹⁴ Everyone of twenty years or more who enters the registered group must give this contribution to the LORD.

¹⁵ The rich need not give more, nor shall the poor give less, than a half-shekel in this contribution to the LORD to pay the forfeit for their lives.

¹⁶ When you receive this forfeit money from the Israelites, you shall donate it to the service of the meeting tent, that there it may be the Israelites' reminder before the LORD, of the forfeit paid for their lives."

Why shekels of Tyre?

The coins, equivalent to a Greek tetradrachm or 4-drachma piece, were of consistent weight – 14 grams - and fineness, unlike the serially debased coins of Rome.



*Shall I acquit
someone with
dishonest scales,
with a bag of
false weights? –
Micah 6:11*

BIBLE WEIGHTS

10 Gerahs
= 1 Beka

Gerah

Beka

2 Bekas
= 1 Shekel

Shekel

50 Shekels =
1 Mina

Mina



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But what about Hercules?

It doesn't matter. Viable money is clean, even if it has a false god on it. It only becomes unclean when it is used for unclean purposes.

The Four Gospels



In the New Testament, there are several reference to taxes

- The Apostle Matthew was a tax collector in Capernaum, a position serving the Roman occupation force that must have made him particularly despised.
- Peter plucks a shekel from the mouth of a fish in a miracle that confounds scholars as to its meaning
- Christ says Jews should “render unto Caesar the things that are Caesar’s.”
- Christ drives out the money changers from the Temple

Matthew the tax collector

Matthew 9:9-14 – The calling of Matthew



⁹ And as Jesus passed forth from thence, he saw a man, named Matthew, sitting at the receipt of custom: and he saith unto him, Follow me. And he arose, and followed him.

¹⁰ And it came to pass, as Jesus sat at meat in the house, behold, many publicans and sinners came and sat down with him and his disciples.

¹¹ And when the Pharisees saw it, they said unto his disciples, Why eateth your Master with publicans and sinners?

¹² But when Jesus heard that, he said unto them, They that be whole need not a physician, but they that are sick.

¹³ But go ye and learn what that meaneth, I will have mercy, and not sacrifice: for I am not come to call the righteous, but sinners to repentance.

Matthew 17:20-24



²⁰ When they came to Capernaum, the collectors of the temple tax

²¹ approached Peter and said, "Doesn't your teacher pay the temple tax?"

"Yes," he said.

²² When he came into the house, before he had time to speak, Jesus asked him, "What is your opinion, Simon? From whom do the kings of the earth take tolls or census tax? From their subjects or from foreigners?"

²³ When he said, "From foreigners," Jesus said to him, "Then the subjects are exempt. But that we may not offend them,

²⁴ go to the sea, drop in a hook, and take the first fish that comes up. Open its mouth and you will find a coin worth twice the temple tax. Give that to them for me and for you."

The Tribute Penny



Perhaps the most famous coin in antiquity is the Tribute Penny, widely believe to have been a denarius issued by Tiberius (14-37 AD). The obverse shows Tiberius and the legend: TI CAESAR DIVI AVG F AVGVSTVS (Tiberius, Caesar Augustus, Son of the Divine Augustus). The reverse shows a seated Pax, possibly his mother, Livia, and the legend: PONTIF MAXIM (chief priest)

Mark 12: 13-17

¹³ Then they sent to Him some of the Pharisees and the Herodians, to catch Him in His words.

¹⁴ When they had come, they said to Him, “Teacher, we know that You are true, and care about no one; for You do not regard the person of men, but teach the way of God in truth. Is it lawful to pay taxes to Caesar, or not?”

¹⁵ Shall we pay, or shall we not pay?”

But He, knowing their hypocrisy, said to them, “Why do you test Me? Bring Me a denarius that I may see it.”

¹⁶ So they brought it.

And He said to them, “Whose image and inscription is this?” They said to Him, “Caesar’s.”

¹⁷ And Jesus answered and said to them, “Render to Caesar the things that are Caesar’s, and to God the things that are God’s.”

And they marveled at Him.

Matthew 21:12-13 -- moneychangers



¹² Then Jesus entered the temple and drove out all who were selling and buying in the temple, and he overturned the tables of the money changers and the seats of those who sold doves.

¹³ He said to them, "It is written,"

My house shall be called a house of prayer';
but you are making it a den of robbers."

Money changers conducted their business in the Temple's courtyard. Much like the exchange kiosks at the airport, they converted Roman coins into shekels of Tyre or converted shekels into half shekels for a fee.



No one knows how much the money changers were paid. No records from antiquity exist except for a mention in the Talmud that states the Temple would charge double the moneychanger's fee to make change for a one shekel coin, under the Rabbinic principal that the Temple must be the greatest beneficiary of any transaction. David Hendin theorizes in his *Guide to Biblical Coins* that the moneychangers fee was either 5.5 or 11 prutot (widow's mites) for making change for a shekel.



While it has nothing to do with taxes, the shekel of Tyre likely played a terrible part in the betrayal and crucifixion of Christ. Judas, shown clutching a small bag (left) in Leonardo da Vinci's *Last Supper*, was paid 30 pieces of silver. It is logical to assume, Hendin writes, that he was paid in shekels of Tyre, "the most commonly used and accepted large silver coin of the time."

The Temple tax continued even after the destruction of the Temple



Before Rome conquered Judea in 70 AD, Jews paid a tax of a silver half shekel to the temple each year. In 71 AD, Emperor Vespasian ordered that the Jewish tax – *fiscus iudaicus* - continue to be collected but for the benefit of Rome, not the destroyed temple.

Rome's tax collectors were brutal in their methods and despised for their profession. To determine if a man was Jewish and thus subject to the tax, tax collectors were known for ordering Jews to disrobe, often in public places.

Historian Suetonius noted, "Besides other taxes, that on the Jews was levied with the utmost rigor ... I recall being present in my youth when the person of a man 90 years old was examined before the procurator and a very crowded court, to see whether he was circumcised."



After assuming the throne in 96, the Emperor Nerva issued a sestertertius – a large bronze coin about the size of a half dollar – that showed his portrait on the obverse and a palm tree on the reverse. The legend FISCUS IVDAICUS CALVMNIA SVBLATA surrounds the palm.

The legend translates as “The insult of the Jewish tax has been removed.” What that means, through, is open to interpretation.



In his *Guide to Biblical Coins*, David Hendin, writes, “Nerva instituted an extensive series of popular changes, one of which was the abolition of the insulting method of collecting the Jewish tax. The tax itself was not revoked, only the degrading method of collecting it. To proclaim his benevolence, Nerva ordered a coin to be issued.”

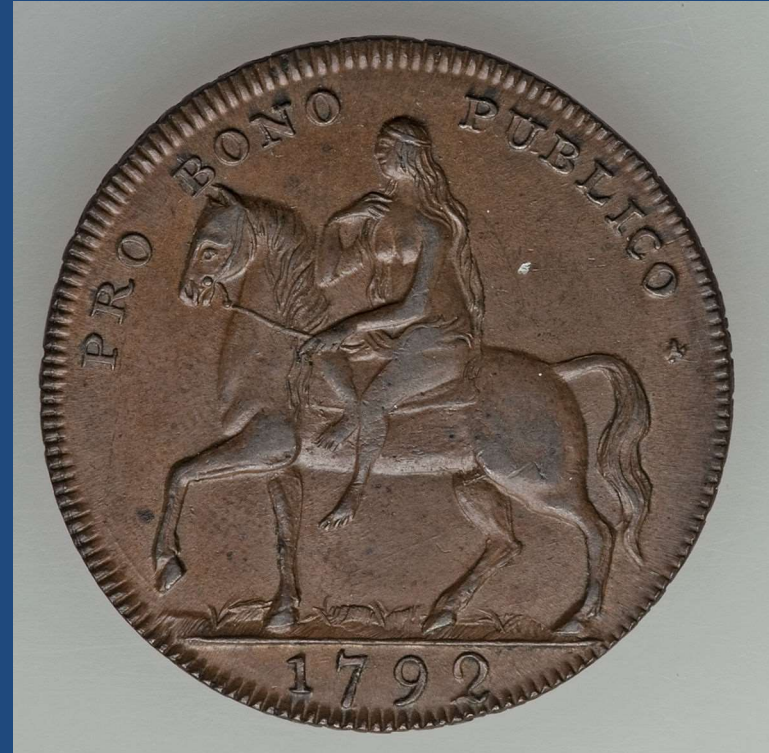
However, David Vagi, author of *Coinage and History of the Roman Empire* believes the Romans weren’t being nice at all.

Rome redirected the tax from the Jew’s Jerusalem temple to Rome’s Temple of Jupiter Optimus Maximus Capitolinus. When the tax was collected for the Jews, Vagi contends, it was an “insult” to Rome. Nerva’s coin celebrates the removal of that insult.

From the sacred to the profane



Lady Godiva's naked ride for tax freedom



Seventeen a beauty queen
She made a ride that caused a scene
In the town
Her long blonde hair
Hangin' down around her knees
All the cats who dig striptease
Prayin' for a little breeze
Her long blonde hair
Falling down across her arms
Hiding all the lady's charms
Lady Godiva

Peter and Gordon

Leofric, Earl of Mercia, and Edward the Confessor see the image of Christ in a communion host in this 13th century abridgement of the Domesday Book, the oldest tax document extant.



Peter and Gordon's 1966 chart topper celebrates the world's most famous tax protest, the fabled and likely fictitious 11th century ride of Lady Godiva, wife of Leofric, Earl of Mercia in Anglo-Saxon England.

The story of the lady's naked ride was first recorded in Roger of Wendover's 13th century book *Flores Historiarum* or *Flowers of History*.

The tale has been embellished over the centuries, but the plot remains the same: Leofric refuses Godiva's entreaties to lower the taxes on the oppressed residents of Coventry. One day, through, Leofric gives in, saying he'll cut taxes if she rides naked through the town at midday.

In a report on the historic person, the BBC wrote, “The rest of the story is not documented at all, but it is said that so great was her compassion for the people of Coventry that Godiva overcame her horror of doing this. She ordered the people to remain indoors with their windows and doors barred. Loosening her long hair to cover her as a cloak, she mounted her waiting horse.

“Then she rode through the silent streets unseen by the people, who had obeyed her command because of their respect for her.”

Lady Godiva appeared on a privately minted 1792 - 1794 half penny token issued during Great Britain's Condor token craze of the late 1700s. The token shows the nude equestrian on one side along with the date and the legend PRO BONO PUBLICO, a wording with a double meaning on this piece.

With small change in short supply, private mints struck hundreds of trade tokens, often with imaginative designs. The legend PRO BONO PUBLICO appears on many Condor tokens, meaning that they were struck for the public good. Lady Godiva's ride, too, was for the public good.

The other side of the Godiva token shows Coventry's symbol - an elephant with a castle turret in place of a saddle - and the legend COVENTRY HALFPENNY. The edge says where it was payable and by whom.

Circulated examples are common and generally sell for \$50 or less.

Peter the Great's beard tax



Taxes serve three purposes: raise money for government functions, encourage activities (such as tax credits for energy efficient furnaces) and discourage activities (think cigarette taxes.)

In 1705, Russian Czar Peter the Great instituted a tax on beards as part of this plan to modernize and westernize his backward country.

Peasants and clerics were exempt, but everyone else who wanted to wear a beard had to pay an annual fee and carry a medal as proof of payment.

The first medals were round affairs showing a nose, mustache and beard on one side and the imperial eagle and year of issue on the reverse. Later issues were diamond shaped and dropped the images but bore the legend, "The beard is an unnecessary burden."



Peter the Great unexpectedly cuts the beard off a noble at a party in 1698.

Randolph Zander, writing in *The Numismatist* ("Russian Beard Tokens," December 1948), noted: "The law provided for checkpoints at the entrance to towns, where officials would deny passage to any bearded person who could not produce a beard token. In addition, law enforcement agencies were enjoined to arrest and fine bewhiskered individuals on sight if they carried no beard license."

The tax was collected from 1705 to 1772. It was levied according to rank, topping out at 100 rubles for wealthy merchants.

Beard tax tokens are prized by collectors, partly for their novelty and partly for their sheer ridiculousness. They are scarce and often sell for thousands of dollars when they appear at auction.

Tax tokens - change for a penny



Sales taxes, a regressive form of taxation enjoying new popularity among tax hikers across the country, owe their birth to the Great Depression. As income and therefore income tax receipts fell in the early 1930s, state after state turned to consumption taxes.

A problem, though, quickly developed. While a 1 percent tax on a \$1 purchase worked out to an even cent, no smaller coin was available for the tax on amounts of less than \$1.

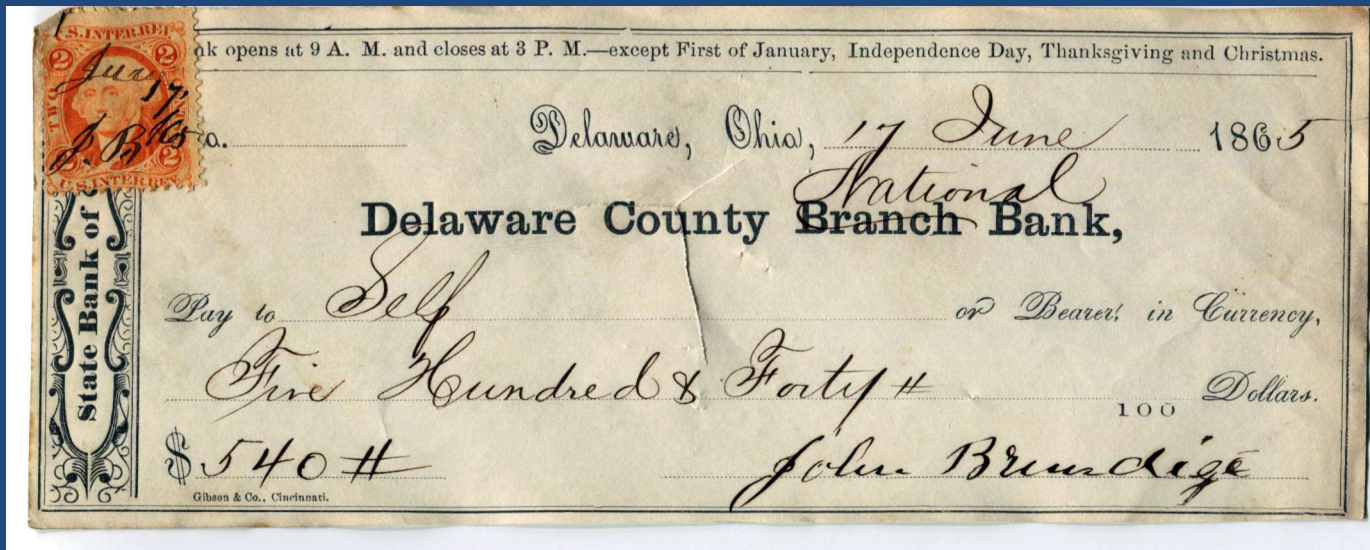
To avoid overcharging people, 12 states - Alabama, Arizona, Colorado, Illinois, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, Utah and Washington - issued their own tokens in denominations as small as 1/10th of a cent to make change.

A penny in 1932 had the same value as 17 cents today. That 1/10th cent token, then, was worth almost 2 cents today.

The tokens – tiny in size and tiny in value – proved to be too much of a bother. Most states discontinued their usage before World War II, though Missouri tokens lasted into the early 1960s.

The tokens tend to be simple affairs – often with just the state's name and denomination. New Mexico's are noteworthy in that they show a saguaro cactus. Sales tax tokens were made in fiber, plastic, aluminum, zinc and bronze and were often holed.

A Civil War tax on money



With the nation at war with itself, the United States government shook every tree it could find to raise money to beat back the forces of slavery. It issued paper money that was backed by nothing more than the government's full faith and taxed everything it could.

The newly created Internal Revenue Service taxed mortgages, bonds, contracts, bank checks and a host of other documents.

The initial bank check tax, instituted in 1862, was 2 cents on checks drawn for \$20.01 and more. Tax dodgers quickly figured out that if they wrote a bunch of \$20 checks instead of one big one they could avoid the tax.

The government wised up in 1864 and applied the tax to all checks.

For decades checks bore stamps that looked much like postal stamps. Most stamps on 19th century checks are specially issued BANK CHECK stamps. But in the early years, when the government was not able to provide enough of the special check stamps, general U.S. Internal Revenue stamps were OK. The stamps were “canceled” by being written on in ink so they could not be reused.

Philatelists have studied the 19th century revenue stamps extensively, but few people collect them. Despite their great history and Civil War connection canceled bank check stamps tend to catalog for 50 cents or less.

For check collectors, the stamps add a bit of sparkle, but a check’s primary value comes from who signed it, what’s pictured on it, which bank it was drawn on and where it was issued.

In 1913, the federal government hit upon the income tax, which changed everything.

AMENDMENT XVI

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

The amendment was 30 words

A scanned image of a 1940 U.S. Individual Income Tax Return (Form 1040). The form is filled out with various numbers and names, including "J. Edgar Hoover" and "Department of Justice". It shows income from salaries, dividends, and interest, with a total income of \$10,000.00. The form is dated 1940 and includes a section for "Adjusted Gross Income".

In 1909 progressives in Congress again attached a provision for an income tax to a tariff bill. Conservatives, hoping to kill the idea for good, proposed a constitutional amendment enacting such a tax; they believed an amendment would never receive ratification by three-fourths of the states.

Much to their surprise, the amendment was ratified by one state legislature after another, and on Feb. 25, 1913, with the certification by Secretary of State Philander C. Knox, the 16th Amendment took effect.

For individuals, the 1 percent tax was levied on amounts greater than \$3,000.

The tax on \$4,000 of income was \$10.

In 1913, the first year of the tax, less than 1 percent of the population paid income taxes.

The individual average annual income was about \$685 for men and half that for women.

TO BE FILLED IN BY COLLECTOR. Form 1040. TO BE FILLED IN BY INTERNAL REVENUE BUREAU.

INCOME TAX.

THE PENALTY FOR FAILURE TO HAVE THIS RETURN IN THE HANDS OF THE COLLECTOR OF INTERNAL REVENUE ON OR BEFORE MARCH 1 IS \$20 TO \$1,000.
(SEE INSTRUCTIONS ON PAGE 4.)

UNITED STATES INTERNAL REVENUE.

RETURN OF ANNUAL NET INCOME OF INDIVIDUALS.
(As provided by Act of Congress, approved October 3, 1913.)

RETURN OF NET INCOME RECEIVED OR ACCRUED DURING THE YEAR ENDED DECEMBER 31, 191....
(FOR THE YEAR 1913, FROM MARCH 1, TO DECEMBER 31.)

Filed by (or for) of
(Full name of individual.) (Street and No.)

in the City, Town, or Post Office of State of
(Fill in pages 2 and 3 before making entries below.)

1. GROSS INCOME (see page 2, line 12)	\$			
2. GENERAL DEDUCTIONS (see page 3, line 7)	\$			
3. NET INCOME	\$			

Deductions and exemptions allowed in computing income subject to the normal tax of 1 per cent.

4. Dividends and net earnings received or accrued, of corporations, etc., subject to like tax. (See page 2, line 11)	\$			
5. Amount of income on which the normal tax has been deducted and withheld at the source. (See page 2, line 9, column A)				
6. Specific exemption of \$3,000 or \$4,000, as the case may be. (See Instructions 3 and 10)				
Total deductions and exemptions. (Items 4, 5, and 6)	\$			

7. TAXABLE INCOME on which the normal tax of 1 per cent is to be calculated. (See Instruction 8). \$

8. When the net income shown above on line 3 exceeds \$20,000, the additional tax thereon must be calculated as per schedule below:

	INCOME.				TAX.			
1 per cent on amount over \$20,000 and not exceeding \$60,000....	\$				\$			
2 " " 50,000 " " 75,000....								
3 " " 75,000 " " 100,000....								
4 " " 100,000 " " 250,000....								
5 " " 250,000 " " 500,000....								
6 " " 500,000								
Total additional or super tax	\$				\$			
Total normal tax (1 per cent of amount entered on line 7)	\$				\$			
Total tax liability	\$				\$			

In 1913, billfolds were extra large, because old horse blanket bills were the only paper money in circulation. Circulating bills included gold and silver certificates, national bank notes and United States notes, but no Federal Reserve bills. The Fed wasn't created until the tail end of the year.



Coins included the just-released Indian head five-cent piece, the 4-year old Lincoln cent, aging Barber dime, quarter and half dollar and the recently redesigned gold coin series.

The value of money

The U.S. Bureau of Labor Statistics calculated that a penny in 1913 is worth the equivalent of a little more than a quarter today.

Such statistics, though, are subject to a bushel basket of caveats. Some things go up in values; some go down.

Gold, a great but imperfect equalizer, was \$20.67 an ounce in 1913. Today it's \$1,300. In 1912 a cent would buy $1/2,067$ th of an ounce of gold. Today $1/2067^{\text{th}}$ of an ounce of gold is worth 63 cents. By the gold calculator, the 1913 cent is worth 63 times what a current cent is worth.

On April 15, 1913, the Boston Store in Milwaukee was advertising 2 cans of corn for 13 cents, corned beef for 13 cents a pound and eggs for 18 cents a dozen.

This week, Giant Eagle has corned beef at \$3.49 a pound, Walmart has Del Monte corn at 88 cents a can and eggs are running \$1 to \$2 a dozen.

In inflation-adjusted dollars, corned beef has stayed about the same and corn and eggs are a lot cheaper.

Taxes today

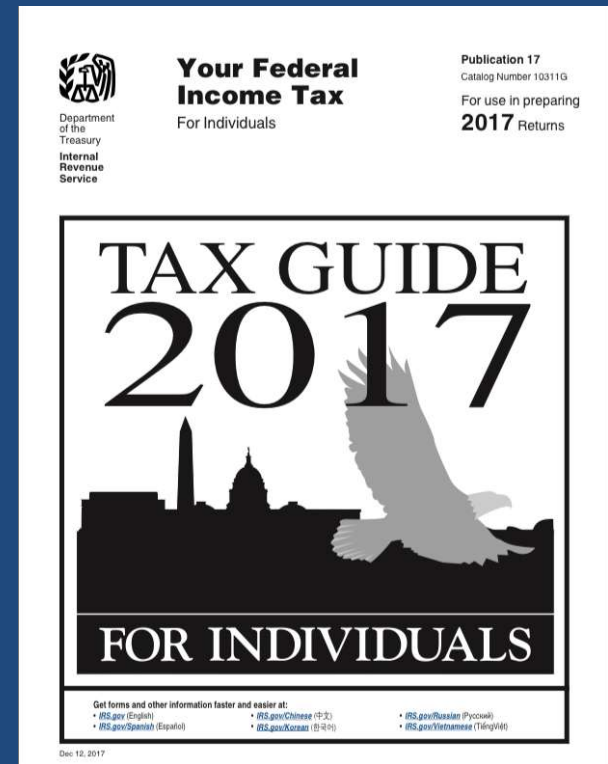
Today, more people than ever pay more in income taxes.

In 1913 less than 1 percent of people paid income taxes. Today that figure is closer to 55 percent.

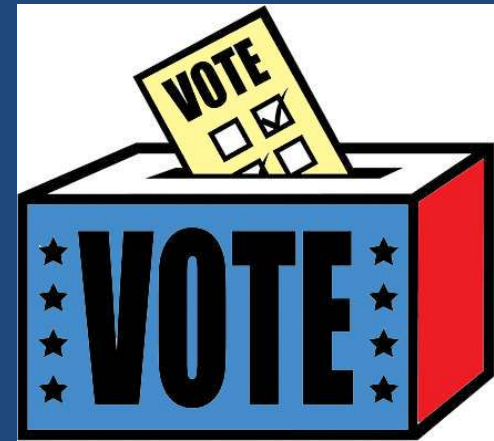
In 1913 no one paid Social Security and Medicare taxes on their income. Today everyone with earned income of less than about \$125,000 pays at least 7.65 percent of their income in those taxes.

And tax instructions are a lot longer than 1 page. IRS Publication 17, the basic guide for individuals runs 289 pages

It's easy to grumble about taxes and point out waste, but no one ever said freedom was free.



A tax tip and a pitch for volunteers



First the tip:

In Ohio, you can cut your taxes by donating to a political campaign.

Ohio gives a dollar-for-dollar credit against Ohio income taxes for campaign contributions to candidates running for statewide office, Ohio house and Ohio senate, but not U.S. House and U.S. Senate.

The nonrefundable credit is worth \$100 off the Ohio tax bill for people filing jointly and \$50 for single filers.

In Ohio you can use the credit to essentially redirect tax money to support the campaign of one of the good candidates. Pay the money now and get it back next spring.

And now the pitch:



The AARP Foundation Tax-Aide program, which provides free tax preparation to senior citizens at nearly 300 locations in Ohio and 5,000 locations across the country, needs volunteer tax preparers for next year.

Volunteers work one or more days a week Feb. 1 through April 15.

If you do your own taxes on a program like TurboTax or TaxAct, you're a prime candidate.

Volunteer preparers save each senior citizen an estimated \$200 in tax preparation fees and more importantly provide a reassuring hand during what many consider to be a stressful situation.

For more information, go to <http://www.ohiotaxaide.org>